

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name North Dickinson School District	County Dickinson
Audit Date 6/30/05	Opinion Date 8/18/05	Date Accountant Report Submitted to State: 10/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

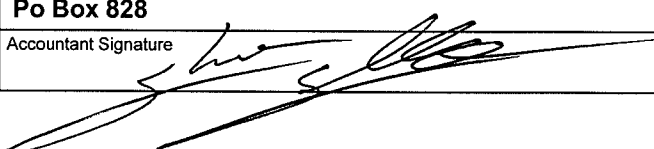
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address Po Box 828	City Iron Mountain	State MI	ZIP 49801
Accountant Signature 		Date 10-6-05	

NORTH DICKINSON COUNTY
SCHOOL DISTRICT

REPORT ON FINANCIAL STATEMENTS
(with additional information)

For the Year Ended June 30, 2005

NORTH DICKINSON COUNTY SCHOOL DISTRICT

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
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American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
North Dickinson County School District
Felch, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dickinson County School District ("District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dickinson County School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Iron Mountain, Michigan
August 18, 2005

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

North Dickinson County School District's Management Discussion and Analysis is intended to assist the reader to focus on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position including its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2005.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-Wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
(other than MD&A expanded)

As mentioned, GASB 34 requires the presentation of two basic types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

District-Wide Financial Statements

The District-Wide Financial Statements provide a perspective of the District as a whole. These financial statements use the full accrual basis of accounting similar to private sector companies. There are two District-Wide Financial Statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds: current financial resources (short-term available resources) with capital assets and long-term obligations, regardless of their current availability.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Fund Financial Statements

The Fund Financial Statements are similar to financial presentations of years past, but the new focus is on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounts. Under this basis of accounting, revenues are recorded when received, except when they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year, and future debt obligations are not recorded.

Fund types include the General Fund, School Service Fund, Debt Retirement Fund, Capital Projects Funds and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants, and other intergovernmental revenues. The School Service Fund is comprised of Athletic Activities and Food Service. The Debt Retirement Fund is used to record the funding and payment of principal and interest on bonded debt. The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities. The Fiduciary Funds account for assets held by the District in a trustee capacity, or as an agent for various student groups and related activities.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Financial Analysis of the District as a Whole

Summary of Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets:		
Current assets	\$ 835,376	\$ 870,885
Net capital assets	<u>3,921,237</u>	<u>3,986,598</u>
Total assets	<u>4,756,613</u>	<u>4,857,483</u>
Liabilities:		
Current liabilities	643,514	754,219
Long term liabilities	<u>1,032,969</u>	<u>1,172,943</u>
Total liabilities	<u>1,676,483</u>	<u>1,927,162</u>
Net Assets:		
Invested in capital assets, net of related debt	2,691,110	2,607,622
Restricted for capital projects	21,557	25,081
Restricted for debt service	254,801	213,747
Unrestricted	<u>112,662</u>	<u>83,871</u>
Total net assets	<u>3,080,130</u>	<u>2,930,321</u>
Total Net Assets and Liabilities	<u>\$ 4,756,613</u>	<u>\$ 4,857,483</u>

The School District's net assets were \$3,080,130 at June 30, 2005, compared to \$2,930,324 at June 30, 2004. Total net assets can be separated into four categories: invested in capital assets, net of related debt, restricted assets for capital projects, restricted assets for debt service, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets less accumulated depreciation and related debt. The original cost of capital assets was \$7,032,894 at June 30, 2005, and \$6,962,473 at June 30, 2004. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less any estimated salvage value, expensed over the estimated use life of the assets. Total accumulated depreciation was \$3,111,657 at June 30, 2005, and \$2,975,875 at June 30, 2004. Total debt related to capital assets was \$1,230,127 at June 30, 2005, and \$1,378,976 at June 30, 2004.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Restricted assets for debt are funds, by their nature, restricted for use by laws or regulations by the State of Michigan. These funds totaled \$276,358 at June 30, 2005, compared to \$238,828 at June 30, 2004.

The remaining balance in unrestricted assets represents an excess balance of \$112,662 at June 30, 2005, and \$83,874 at June 30, 2004.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-Wide results of operations for the years ended June 30, 2005 and June 30, 2004 is as follows:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Program revenue		
Charges for services-local	\$ 116,084	\$ 102,897
Operating grants - federal state local	<u>255,549</u>	<u>254,755</u>
Total program revenue	<u>371,633</u>	<u>357,652</u>
General revenue		
Property taxes levied for general operations	1,243,603	1,100,979
Property taxes levied for debt service	168,512	247,621
State of Michigan aid, unrestricted	1,795,423	1,882,512
Other- federal, state and local	<u>49,476</u>	<u>42,930</u>
Total general revenue	<u>3,257,014</u>	<u>3,274,042</u>
Total revenue	<u>3,628,647</u>	<u>3,631,694</u>
Expenses		
Instruction	1,675,337	1,757,480
Support services	1,244,228	1,164,494
School service	272,518	259,811
Interest on long term debt	62,857	15,592
Depreciation (unallocated)	<u>223,898</u>	<u>218,705</u>
Total expenses	<u>3,478,838</u>	<u>3,416,082</u>
Increase in net assets	149,809	215,612
Net Assets July 1	<u>2,930,321</u>	<u>2,714,709</u>
Net Assets June 30	<u>\$ 3,080,130</u>	<u>\$ 2,930,321</u>

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The overall condition of the governmental funds has increased during June 30, 2005 and 2004. In the General Fund, the excess of revenues over expenditures totaled \$22,623 during fiscal year June 30, 2005 and \$13,364 during fiscal year June 30, 2004. The primary factor that contributed to this was the controlling of expenditures.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments are known. The most significant fund budgeted is the General Fund operations. The General Fund operating budget was amended three times during fiscal year 2005.

General Fund Operations

In the General Fund operations, the actual revenue for fiscal year June 30, 2005 was \$3,061,241. This is above the original budget of \$2,913,695 and above the final budget of \$3,055,914 - a variance of 0.17 %. The actual expenditures of the general fund for fiscal year June 30, 2005 operations were \$2,960,197. This is above the original budget of \$2,938,521 and below the final budget of \$2,973,619 - a variance of 0.45%.

The variances between the actual revenues and the original and final revenue budgets are due primarily to the following.

- unexpected Special Education revenue increases

The variances between the actual expenditures and the original and final expenditure budgets are due primarily to the following.

- various budget items not expended

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

GOVERNMENTAL FUND EXPENDITURES

Below is a summary of the governmental fund expenditures and their percentages as they relate to total governmental funds:

	Total Expenditures June 30, 2005	Percentage	Total Expenditures June 30, 2004	Percentage
General Fund	\$ 2,960,197	81.60%	\$ 2,949,063	82.64%
Other Funds	667,573	18.40%	619,452	17.36%
Total Expenditures	<u>\$ 3,627,770</u>	<u>100.00%</u>	<u>\$ 3,568,515</u>	<u>100.00%</u>

TOTAL REVENUES

Below is a summary of the governmental fund revenues and their percentages as they relate to governmental funds.

	Total Revenue June 30, 2005	Percentage	Total Revenue June 30, 2004	Percentage
State of Michigan Aid unrestricted	\$ 1,795,423	49.48%	\$ 1,882,512	51.84%
Prop taxes general operation	1,243,603	34.27%	1,100,979	30.32%
Operating grants federal state local	255,549	7.04%	254,755	7.01%
Prop taxes debt retirement	168,512	4.64%	247,621	6.82%
Charges for services - local	116,084	3.20%	102,897	2.83%
Other federal state local	49,476	1.36%	42,930	1.18%
Total Revenues	<u>\$ 3,628,647</u>	<u>100.00%</u>	<u>\$ 3,631,694</u>	<u>100.00%</u>

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Unrestricted State Aid

The District is predominately funded by State Aid based on a blended count formula that the State of Michigan utilizes. State revenues to the District have decreased as a result of decreased enrollment from the previous year. State aid membership was 403.71 for fiscal year June 30, 2005 and 409.02 for fiscal year June 30, 2004.

Property Taxes

The District levies 18.0 mills of property taxes on all Non-Homestead property located within the District for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value.

The District levied 3.0 mills of property taxes on all classes of property located within the District for bonded debt retirement. The levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations.

The District levied 2.0 mills of property taxes on all classes of property located within the District for sinking fund purchases of the District.

Operating Grants Federal, State, and Local

The primary sources are the Federal Title One Program, the State funded At Risk Program, and the Special Education Obligation funds required under the Headlee Amendment, State of Michigan legislation. Both Title One and At Risk Programs assist students who are deemed to be at risk in the instruction process. For the 2004-2005 fiscal year, the District has utilized \$75,770 and \$48,047 for the Title One and State At Risk Programs. For fiscal year 2005 the State, under the Headlee amendment, is obligated to remit to the District \$72,825.

ENROLLMENT

The District's 2004-2005 fall enrollment totaled 390. This is a decrease of 18 students from the previous year. North Dickinson County School District is located in Michigan's Upper Peninsula. The area is currently experiencing an economic downturn. Some employers in the area have closed their doors, with others reducing their labor force. As a result of this, families have moved out of the area. In addition the county is experiencing a declining birth rate from previous year.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Enrollment changes over the last ten years can be illustrated as follows:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>(Decrease) in Student Enrollment</u>
2005	390	(18)
2004	408	0
2003	408	(2)
2002	410	(15)
2001	425	(28)
2000	453	(11)
1999	464	(18)
1998	482	(15)
1997	497	(18)
1996	515	

Student enrollment is important to the financial health of the District because state funding is based on a per pupil formula.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the District had \$7,032,894 invested in land and building, furniture and equipment, vehicles and buses compared to \$6,962,473 at June 30, 2004. Of this amount, \$3,111,657 and \$2,975,875 has been depreciated at June 30, 2005 and June 30, 2004 respectively. Net book value totaled \$3,921,237 at June 30, 2005, and \$3,986,598 at June 30, 2004. Due to budget constraints related to declining enrollment and the State of Michigan financial status, the ability to maintain these buildings is becoming increasingly difficult. The District maintains a \$1,000 threshold for capitalization of assets.

North Dickinson County School District
Management Discussion and Analysis
(Unaudited)
For the Fiscal Year Ended June 30, 2005

Outstanding Debt at Year End

As of June 30, 2005 the District had \$1,154,694 in bonds outstanding, compared to \$1,314,694 at June 30, 2004. The District collects bonded debt across the total property values. Therefore, total growth in valuation is an important element in determining the District's ability to retire bonded debt and/or to incur additional bond debt.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the North Dickinson County School District. For additional detailed financial information contact:

Mike Roell
Business Manager
North Dickinson County School District
W6588 M-69
Felch, MI 49831
Office Telephone (906) 542-9281
Fax Telephone (906) 542-6950

NORTH DICKINSON COUNTY SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and equivalents	\$ 132,267
Investments	366,289
Inventory	2,805
Due from other governments	<u>334,015</u>
Total current assets	<u>835,376</u>
Noncurrent assets:	
Capital assets	7,032,894
Accumulated depreciation	<u>(3,111,657)</u>
Total noncurrent assets	<u>3,921,237</u>
TOTAL ASSETS	<u>4,756,613</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	1,968
Accrued interest	15,041
Accrued expenses	119,010
Deferred revenue	2,000
Note payable - state	300,000
Notes payable	36,199
Early retirement	1,667
Bonds payable	<u>167,629</u>
Total current liabilities	<u>643,514</u>
Noncurrent liabilities:	
Notes payable	39,234
Vested sick pay	6,670
Bonds payable	<u>987,065</u>
Total noncurrent liabilities	<u>1,032,969</u>
TOTAL LIABILITIES	<u>1,676,483</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,691,110
Restricted for capital projects	21,557
Restricted for debt service	254,801
Unrestricted	<u>112,662</u>
TOTAL NET ASSETS	<u>\$ 3,080,130</u>

The accompanying notes to the financial statements are an integral part of this statement.





**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

NORTH DICKINSON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Primary Government			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	\$ 1,675,337	\$ -	\$ 183,258	\$ (1,492,079)
Support	1,244,228	-	-	(1,244,228)
School service	272,518	116,084	72,291	(84,143)
Depreciation	223,898	-	-	(223,898)
Debt interest, fees and expenses	62,857	-	-	(62,857)
TOTAL PRIMARY GOVERNMENT	3,478,838	116,084	255,549	(3,107,205)
General revenues:				
Property taxes				\$ 1,412,115
State revenue sharing				1,795,423
Unrestricted investment earnings				12,850
Other				36,626
Total general revenues and transfers				3,257,014
Changes in net assets				149,809
Net assets, beginning of year				2,930,321
Net assets, end of year				\$ 3,080,130

The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and equivalents	\$ 106,825	\$ -	\$ 25,442	\$ 132,267
Investments	111,488	254,801	-	366,289
Inventory	-	-	2,805	2,805
Due from other funds	-	-	4,055	4,055
Due from other governments	332,657	-	1,358	334,015
TOTAL ASSETS	\$ 550,970	\$ 254,801	\$ 33,660	\$ 839,431
LIABILITIES:				
Accounts payable	\$ 1,968	\$ -	\$ -	\$ 1,968
Accrued expenses	111,613	-	7,397	119,010
Deferred revenue	2,000	-	-	2,000
Due to other funds	4,055	-	-	4,055
Notes payable	300,000	-	-	300,000
TOTAL LIABILITIES	419,636	-	7,397	427,033
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Reserved	-	254,801	21,557	276,358
Unreserved				
Undesignated	131,334	-	4,706	136,040
TOTAL FUND BALANCE AND OTHER CREDITS	131,334	254,801	26,263	412,398
TOTAL LIABILITIES, FUND BALANCE AND OTHER	\$ 550,970	\$ 254,801	\$ 33,660	\$ 839,431

The accompanying notes to the financial statements are an integral part of this statement.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

For the Year Ended June 30, 2005

Total fund balances for governmental funds \$ 412,398

Total net assets reported for governmental activities in the statement
of net assets is different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. Those assets
consist of:

Land and improvements	\$ 789,362
Equipment	1,020,882
Buildings and improvements	5,161,593
Construction in progress	<u>61,057</u>

Total capital assets	7,032,894
Accumulated depreciation	<u>(3,111,657)</u>

Net capital assets 3,921,237

Long-term liabilities applicable to the District's governmental
activities are not due and payable in the current period and accordingly
are not reported as fund liabilities. Interest on long-term debt is not
accrued in governmental funds, but rather is recognized as an
expenditure when due. All liabilities, both current and long-term, are
reported in the statement of net assets.

Accrued interest on long-term debt	\$ (15,041)
------------------------------------	-------------

Bonds payable	(1,154,694)
Teachers early retirement	(1,667)
Compensated absences – vested	(6,670)
Notes payable	<u>(75,433)</u>
	<u>(1,253,505)</u>

Total net assets of governmental activities \$3,080,130





NORTH DICKINSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended June 30, 2005

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Local sources	\$ 1,026,763	\$ 263,707	\$ 284,552	\$ 1,575,022
State sources	1,787,917	-	7,507	1,795,424
Federal sources	129,887	-	72,291	202,178
TOTAL REVENUES	2,944,567	263,707	364,350	3,572,624
EXPENDITURES:				
Instruction	1,664,099	-	-	1,664,099
Supporting services	1,232,163	-	172,402	1,404,565
Debt service	-	222,653	-	222,653
School service	-	-	272,518	272,518
TOTAL EXPENDITURES	2,896,262	222,653	444,920	3,563,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,305	41,054	(80,570)	8,789
OTHER FINANCING SOURCES (USES):				
Other sources	64,760	-	-	64,760
Payments received from other governmental units	51,914	-	-	51,914
Transfers in	-	-	78,421	78,421
Other uses	(58,727)	-	-	(58,727)
Payments to other governmental units	(5,208)	-	-	(5,208)
Transfers out	(78,421)	-	-	(78,421)
TOTAL OTHER FINANCING SOURCES (USES)	(25,682)	-	78,421	52,739
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	22,623	41,054	(2,149)	61,528
FUND BALANCE, JULY 1	108,711	213,747	28,412	350,870
FUND BALANCE, JUNE 30	\$ 131,334	\$ 254,801	\$ 26,263	\$ 412,398

The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005

Net changes in fund balances – total governmental funds	\$ 61,528
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$231,125 exceeded depreciation expense \$(223,898).

7,227

Undepreciated balance of retired fixed assets.

(72,588)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Loan proceeds	\$ (58,851)	
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Principal repayments:

Bonds	160,000	
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Notes payable	<u>47,700</u>	148,849
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Early retirement obligation	\$ 11,667	
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Compensated absences	(6,670)	
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Accrued interest	<u>(204)</u>	<u>4,793</u>
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Changes in net assets of governmental activities		<u>\$149,809</u>
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NORTH DICKINSON COUNTY SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2005

	<u>Agency Fund</u>
	<u>Student Activity</u>
ASSETS:	
Cash and equivalents	<u>\$ 22,010</u>
TOTAL ASSETS	<u>22,010</u>
LIABILITIES:	
Due to student groups	<u>22,010</u>
TOTAL LIABILITIES	<u>22,010</u>
NET ASSETS:	<u>\$ -</u>

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the North Dickinson County School District ("District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the statement include the following:

An Administration's Discussion and Analysis section providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the District's activities.

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the provisions of the Statement.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it has been determined that there are no component units of the North Dickinson County School District.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities except for fiduciary activities.

In the government-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the government-wide financial statements the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities,

C. Basic Financial Statements – Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into generic fund types in two broad fund categories as follows:



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds - Governmental funds are used to account for the acquisition, use and balances of expendable financial resources and the related current liabilities, except for those accounted for in fiduciary funds. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

General Fund - The General Fund is the primary operating fund of the District. It is used to account for all financial transactions of the District, except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses the Special Revenue Fund to account for the North Dickinson County School District's activity.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Funds - Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Fiduciary Funds - Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

Agency Fund - The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity (primarily student activities).

Account Groups - Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The following are the District's account groups:

General Fixed Assets - This group of accounts was established to account for all general fixed assets of the District.

General Long-Term Obligations - This group of accounts has been established to account for unmatured general long-term obligations and certain other liabilities of the District not expected to be liquidated through the use of available expendable financial resources.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus. The governmental-wide statement uses the economic resources measurement focus.

Accrual

Governmental activity in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after the year end. A one year period is used for revenue recognition for all other governmental fund revenues. Those revenues prone to accrual are property taxes, federal aid, interest-revenue, and charges for services.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

State Foundation Revenue - For the fiscal year ended June 30, 2005, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2004.

Expenditures and related liabilities are recognized when obligations are incurred as a result of the receipt of goods and services. Modifications include:

Principal and interest on general long-term debt are recorded as fund liabilities when due, or when amounts have been accumulated in the debt service fund for payments of principal and interest to be made early in the following year.

E. Cash and Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and equivalent balances for individual funds are pooled unless maintained in segregated accounts.

F. Interfund Balances and Transfers

The current portion of lending/borrowing arrangements between funds are identified as "due to/from other funds". The non-current portion of outstanding balances between funds are reported as "advances to/from other funds". Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Transfers represent a flow of assets without equivalent flows of assets in return or a requirement for repayment.

G. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Special Revenue Fund consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

The District has adopted a capitalization policy of \$1,000.

I. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

J. Compensated Absences

Amounts representing accumulated vacation and personal leave expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it.

K. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized as revenue when levied to the extent they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Taxes (Continued)

The District, along with certain other governmental units, is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund Mills

General Fund - Non-Homestead	18.0
Debt Retirement	3.0
Sinking Fund	2.0

L. Unemployment Insurance

The District reimburses the Michigan Employment Security Commission (MESC) for the actual amount of unemployment benefits disbursed by the MESC on behalf of the District. Billings received for amounts paid by the MESC through June 30 are accrued.

M. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". Designated fund balances represents amounts set aside by the governing body for specific purposes such as capital improvements.

N. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - all governmental fund types.
2. Public hearings are conducted to obtain taxpayer comments.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgets (Continued)

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated, or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - all governmental fund types.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

The budget for the year ended June 30, 2005 was adopted on June 14, 2004 and formally amended on December 13, 2004, March 14, 2005 and July 11, 2005.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

NOTE 2 - CASH AND INVESTMENTS

Cash and Equivalents

The District's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Money market and savings accounts	\$ 96,107
Checking accounts	<u>36,160</u>
TOTAL	\$ <u>132,267</u>



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and Equivalents (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2005, the District had cash and equivalents which were uninsured and uncollateralized in the amount of \$176,463.

Investments

The District's investments, as reported in the Statement of Net Assets, consisted of the following:

Michigan Liquid Asset Fund (MILAF)	\$ <u>366,289</u>
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Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Investments are recorded at fair market value, which is based on quoted market prices.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investments are with the Michigan Liquid Asset Fund (MILAF) which consists of different funds including mutual funds with a high degree of liquidity, thus the District's investments are not subject to interest rate risk.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 3 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Total nonmajor governmental	<u>\$4,055</u>	General	<u>\$4,055</u>

Interfund transfers for the year ended June 30, 2005 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Total nonmajor governmental	<u>\$78,421</u>	General	<u>\$78,421</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2005 follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Land and improvements	\$ 789,362	\$ -	\$ -	\$ 789,362
Equipment	1,005,263	64,951	(49,332)	1,020,882
Buildings and improvements	5,159,448	113,517	(111,372)	5,161,593
Construction in progress	<u>8,400</u>	<u>52,657</u>	<u>-</u>	<u>61,057</u>
TOTALS	\$6,962,473	\$ <u>231,125</u>	\$ <u>(160,704)</u>	\$7,032,894
Accumulated Depreciation	<u>(2,975,875)</u>	<u>\$(223,898)</u>	<u>\$ <u>88,116</u></u>	<u>(3,111,657)</u>
Net Fixed Assets	<u>\$3,986,598</u>			<u>\$3,921,237</u>

Depreciation for the year ended June 30, 2005, amounted to \$223,898. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 5 – LONG-TERM OBLIGATIONS

During the year ended June 30, 2005, the following changes occurred in long – term obligations:

	Balance July 1, 2004	Additions	Repayments	Balance June 30, 2005	Amounts Due Within One Year
General Obligation:					
Bonds	\$1,314,694	\$ -	\$ 160,000	\$1,154,694	\$167,629
Notes payable	64,282	58,851	47,700	75,433	36,199
Employee Benefits:					
Teachers Early Retirement	13,334	-	11,667	1,667	1,667
Sick Pay	-	6,670	-	6,670	-
TOTALS	<u>\$1,392,310</u>	<u>\$ 65,521</u>	<u>\$ 219,367</u>	<u>\$1,238,464</u>	<u>\$205,495</u>

NOTE 6 - BONDS AND NOTES PAYABLE

Long-term obligations at June 30, 2005 is comprised of the following amounts:

1. 1999 School Building Bonds due in annual installments of \$92,118 to \$225,015 through May 1, 2011 with interest at 4.75% to 5.0% \$1,120,000
2. 1998 Durant Bonds due in annual installments of \$3,813 to \$17,996 through May 15, 2013, with interest at 4.6% 34,694

The annual State of Michigan appropriation is the only revenue source for making the annual payments on the Durant Bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

3. Note payable for bus \$16,582 annually with interest at 4.5% 16,582
 4. Note payable for bus \$19,617 annually with interest at 4.05% 58,851
 5. Early retirement commitment 1,667
 6. Vested accumulated sick pay 6,670
- TOTAL LONG-TERM OBLIGATIONS \$1,238,464



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2005 are as follows:

Year Ended June 30	Bond Issues and Installment Notes		Notes Payable		Teachers Early Retirement	Total
	Principal	Interest	Principal	Interest	Commitment	
2006	\$ 167,629	\$ 56,241	\$ 36,199	\$ 3,105	\$ 1,667	\$ 283,909
2007	177,753	48,275	19,617	1,191	-	243,238
2008	187,885	39,744	19,617	397	-	226,028
2009	198,022	30,541	-	-	-	227,629
2010	203,166	20,647	-	-	-	228,563
2011-2015	<u>220,239</u>	<u>15,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,061</u>
TOTAL	<u>\$1,154,694</u>	<u>\$ 210,831</u>	<u>\$ 75,433</u>	<u>\$ 4,693</u>	<u>\$ 1,667</u>	<u>\$1,664,428</u>

Interest expense for the year ended June 30, 2005 was \$62,857.

NOTE 7 - FUND BALANCES

Portions of fund balances are reserved or designated and not available for general purposes other than fund usage as follows:

	Reserved Designated
Capital Project	\$ 21,557
Debt Service	<u>254,801</u>
TOTAL	<u>\$276,358</u>

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990 made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The District contributed 14.87% of covered compensation through June 30, 2005 to the Plan. The total amount contributed to the Plan for the year ended June 30, 2005 was \$283,425, which consisted of \$238,714 from the District and \$44,711 from employees electing the MIP option.

These represent approximately 14.79% and 2.77% of covered payroll, respectively. The payroll for employees covered by the System for the year ended June 30, 2005 was approximately \$1,613,505.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among MPSERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2004 for the MPSERS as a whole, the actuarial accrued liability was \$42 billion. The pension plan net assets were \$36.8 billion, resulting in a ratio of pension assets at market value to the actuarial accrued liability of 86.5%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time.

The District's 2004 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS September 30, 2003 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

The following is a summary of plan provisions:

Regular Retirement (no reduction factor for age)



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Eligibility – Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age – None.

Annual Amount – Total credited service times 1.5% of final average compensation.

Final Average Compensation – Average of highest 5 consecutive years (3 years for MIP members).

Early Retirement (age reduction factor used)

Eligibility – Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount – Regular retirement benefit, reduced by ½% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility – 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount – Regular retirement benefit based on service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility – No age or service requirement; in receipt of workers' disability compensation.

Annual Amount – Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Non-Duty Disability Retirement

Eligibility – 10 years of credited service.

Annual Amount – Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Duty Death Before Retirement

Eligibility – No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Annual Amount – Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.

Non-Duty Death Before Retirement

Eligibility – 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount – Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences at the time a member would have attained the minimum age qualification.

Post-Retirement Cost-of-Living Adjustments

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjustment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

Retired before January 1, 1987 – Greater of Supplemental payment or automatic 3% increase

Retired on or after January 1, 1987 under MIP – Automatic 3% increase only

Retired on or after January 1, 1987 not under MIP – Supplemental payment only



NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Post-Retirement Health Benefits

Members in receipt of pension benefits are eligible for fully System paid Master Health Care Plan coverage (90% System paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially System paid health benefit coverage (no System payment if less than 21 years service).

Dependents are eligible for 90% System paid health benefit coverage (partial System payment for dependents of deferred vested members who had 21 or more years of service).

Member Contributions

MIP Participants hired before January 1, 1990 – 3.9% of pay.

MIP Participants hired on or after January 1, 1990 – 3.0% of first \$5,000 of pay, plus 3.6% of next \$10,000 of pay, plus 4.3% pay in excess of \$15,000.

Non-MIP Participants – None.

A summary of Actuarial Assumptions and Methods is as follows:

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.
2. The mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 1998.
3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 1998.
4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page of this report. Adopted 1998.





NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.
6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.
7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.
8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.
9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's Board and the Department of Management and Budget after consulting with the actuary.

Other Post-Employment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participated in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NORTH DICKINSON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

(Continued)

NOTE 9 - RISK MANAGEMENT (Continued)

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 10 - USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 11 - SIGNIFICANT ESTIMATES

Included in footnote 8 is a summary of the employee retirement plan provisions and actuarial assumptions. The actuarial assumptions are very critical to the computation of actuarial determined liabilities of the plan. If the assumptions differ from actual results annual contributions to the defined benefit plan can substantially change.

NOTE 12 - SINKING FUND COMPLIANCE

The Capital Projects Fund includes activities funded with sinking fund tax dollars issued after May 1, 1994. For this capital project, the District has complied with the applicable provisions of §1351a of the Revised School Code.

NOTE 13 - NOTES PAYABLE

State aid anticipation note due to the First National Bank of Crystal Falls in the amount of \$300,000. The note is secured by State Aid payments and is subject to an interest rate of 3.09% and matures May 4, 2006.

During the year ended June 30, 2005, the following changes occurred in notes payable:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2005</u>
State Aid				
Anticipation Note	<u>\$400,000</u>	<u>\$300,000</u>	<u>\$(400,000)</u>	<u>\$300,000</u>





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

REQUIRED SUPPLEMENTAL INFORMATION

NORTH DICKINSON COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (Budgetary Basis) (Note 1)
	Original	Final	
REVENUES:			
Local sources	\$ 1,011,182	\$ 1,026,754	\$ 1,026,763
State sources	1,734,395	1,787,909	1,787,917
Federal sources	142,120	129,887	129,887
TOTAL REVENUES	2,887,697	2,944,550	2,944,567
EXPENDITURES:			
Instruction	1,626,289	1,672,479	1,664,099
Supporting services	1,160,455	1,237,205	1,232,163
TOTAL EXPENDITURES	2,786,744	2,909,684	2,896,262
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,953	34,866	48,305
OTHER FINANCING SOURCES (USES):			
Other sources	25,998	64,760	64,760
Payments received from other governmental units	-	46,604	51,914
Other uses	(151,777)	(58,727)	(58,727)
Payments to other governmental units	-	(5,208)	(5,208)
Transfers out	-	(73,900)	(78,421)
TOTAL OTHER FINANCING SOURCES (USES)	(125,779)	(26,471)	(25,682)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(24,826)	8,395	22,623
FUND BALANCE, JULY 1	108,711	108,711	108,711
FUND BALANCE, JUNE 30	\$ 83,885	\$ 117,106	\$ 131,334

The accompanying notes to the financial statements are an integral part of this statement.





ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTAL INFORMATION

NORTH DICKINSON COUNTY SCHOOL DISTRICT**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2005

	Food Service	Athletics	Sinking Fund #255211	Total Nonmajor Governmental Funds
ASSETS:				
Cash and equivalents	\$ -	\$ 3,885	\$ 21,557	\$ 25,442
Inventory	2,805	-	-	2,805
Due from other governments	1,358	-	-	1,358
Due from other funds	4,055	-	-	4,055
TOTAL ASSETS	\$ 8,218	\$ 3,885	\$ 21,557	\$ 33,660
LIABILITIES:				
Accrued expenses	\$ 6,250	\$ 1,147	\$ -	\$ 7,397
TOTAL LIABILITIES	6,250	1,147	-	7,397
FUND BALANCE AND OTHER CREDITS:				
Fund balances:				
Reserved	-	-	21,557	21,557
Unreserved-Undesignated	1,968	2,738	-	4,706
TOTAL FUND BALANCE AND OTHER CREDITS	1,968	2,738	21,557	26,263
TOTAL LIABILITIES, FUND BALANCE AND OTHER	\$ 8,218	\$ 3,885	\$ 21,557	\$ 33,660

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes to the financial statements are an integral part of this statement.

NORTH DICKINSON COUNTY SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005

	Food Service	Athletics	Sinking Fund #255211	Total Nonmajor Governmental Funds
REVENUES:				
Local sources	\$78,585	\$37,089	\$168,878	\$ 284,552
State sources	7,507	-	-	7,507
Federal sources	72,291	-	-	72,291
TOTAL REVENUES	158,383	37,089	168,878	364,350
EXPENDITURES:				
Supporting services	-	-	172,402	172,402
School service	152,869	119,649	-	272,518
TOTAL EXPENDITURES	152,869	119,649	172,402	444,920
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,514	(82,560)	(3,524)	(80,570)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	82,560	-	82,560
Transfers out	(4,139)	-	-	(4,139)
TOTAL OTHER FINANCING SOURCES (USES)	(4,139)	82,560	-	78,421
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	1,375	-	(3,524)	(2,149)
FUND BALANCE, JULY 1	593	2,738	25,081	28,412
FUND BALANCE, JUNE 30	<u>\$ 1,968</u>	<u>\$ 2,738</u>	<u>\$ 21,557</u>	<u>\$ 26,263</u>

The accompanying notes to the financial statements are an integral part of this statement.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
North Dickinson County School District
Felch, Michigan

We have audited the financial statements of North Dickinson County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Dickinson County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the North Dickinson County School District, in a separate letter dated August 18, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dickinson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. PLLC

ANDERSON, TACKMAN & COMPANY, PLLC
Certified Public Accountants

Iron Mountain, Michigan
August 18, 2005





ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

August 18, 2005

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

Board of Education
North Dickinson School District
Felch, Michigan

Dear Members of the Board,

In planning and performing our audit of the financial statements of the North Dickinson School District for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 18, 2005 on the financial statements of the North Dickinson School District.

Comment

Statement On Auditing Standards (SAS) No. 99 was first applicable for the year ended June 30, 2004. For the year ended June 30, 2005, we noted that no formal action relative to this matter was taken as of yet by the Board. Once again, we encourage you to do so. We are providing the SAS No. 99 Implementation Guide with this letter.

We have noted that entities have, for the most part, not followed through with formal programs as of yet. We personally feel it is because of the nature of the topic and uncertainty about just exactly how to proceed. However, SAS No. 99 is a direct result of frequent and well-publicized breakdowns as far as fraud and ethical behavior is concerned, and the need for bolstering controls in these regards is important.

We appreciate the opportunity to be of service to the District. As in the past, it is a pleasure to work with the District personnel. If you have any questions, please do not hesitate to contact us.

Very truly yours,

ANDERSON, TACKMAN & COMPANY, P.L.C.

Shane M. Ellison, CPA
Principal